

COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
NEVADA COMMUNITY SCHOOL DISTRICT
NEVADA, IOWA

FOR THE FISCAL YEAR ENDED
JUNE 30, 2005

OFFICIAL ISSUING REPORT
Brian Schaeffer District Secretary/Treasurer

OFFICE ISSUING REPORT
Business Office

NEVADA COMMUNITY SCHOOL DISTRICT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 C O N T E N T S

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INTRODUCTORY SECTION

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NEVADA COMMUNITY SCHOOL DISTRICT
BOARD OF EDUCATION AND SCHOOL DISTRICT ADMINISTRATION

<u>Name</u>	<u>Title</u>	<u>Term/Contract Expires</u>
<u>Board of Education</u>		
(Before September 2004 Election)		
Marcia Engler	President	2005
William Van Sickle	Vice President	2006
Dan Morriscal	Board Member	2004
Marty Mortvedt	Board Member	2004
Jim Niblock	Board Member	2006

<u>Board of Education</u>		
(After September 2004 Election)		
Marty Mortvedt	President	2007
Jim Niblock	Vice President	2006
Marcia Engler	Board Member	2005
Curt Hoff	Board Member	2007
William Van Sickle	Board Member	2006

<u>School Officials</u>		
James S. Walker	Superintendent of Schools	2005
Raphael Murray	Principal, Nevada High School	2005
Christine Schmidt	Principal, Nevada Middle School	2005
Kathy Goecke	Principal, Central Elementary School	2005
David McCaulley	Assistant Principal, Nevada High School & High School Activities Director	2005
Nancy Port	School Improvement Director	2005
Brian Schaeffer	Board Secretary/Treasurer & District Business Manager	2005
Margaret Ann Malven	Director, Technology	2005
Richard Scott	Director, Maintenance & Transportation	2005
Diana Weber	Director, Food Service	2005
Ron Peeler	Attorney	Indefinite
Kathy Skinner	Attorney	Indefinite

CERTIFICATE

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of
Nevada Community School District:

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Nevada Community School District, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Nevada Community School District as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated September 15, 2005 on our consideration of Nevada Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 18 through 29 and 66 through 68 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Nevada Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The statistical information listed in the table of contents is not necessary for a fair presentation of the basic financial statements, but is presented as additional analytical data. This information is unaudited and we do not express an opinion on it.

Oskaloosa, Iowa
September 15, 2005

Management's Discussion and Analysis

This section of the Nevada Community School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2005. The analysis focuses on the District's financial performance as a whole. Please read it in conjunction with the District's financial statements, which immediately follow this section. The condensed statements may differ slightly from the amounts reported in the basic financial statements due to rounding differences.

Financial Highlights

- The General Fund ending fund balance decreased from \$1,068,926 in Fiscal Year 2004 to \$607,186 in Fiscal Year 2005 due primarily to the increased costs of educating special education students and costs related to the demolition of the old High School building and the displacement of students who attended the south wing at Central Elementary School.
- The Board of Education, on August 9, 2004, approved proceeding with the Central Elementary School expansion. The expansion will require demolishing the old High School building and the south wing of the Elementary School. A construction contract was entered into for \$6,370,000 for the project. Local option tax revenue bonds (face value \$6,000,000) were sold at an average rate of 3.63% to pay for the expansion.
- The Board of Education approved purchasing the old Nevada Baptist Church to house students during the construction of the Central Elementary School expansion.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.
- The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
- *Proprietary funds statements* offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 on the next page shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Nevada Community School District Annual Financial Report

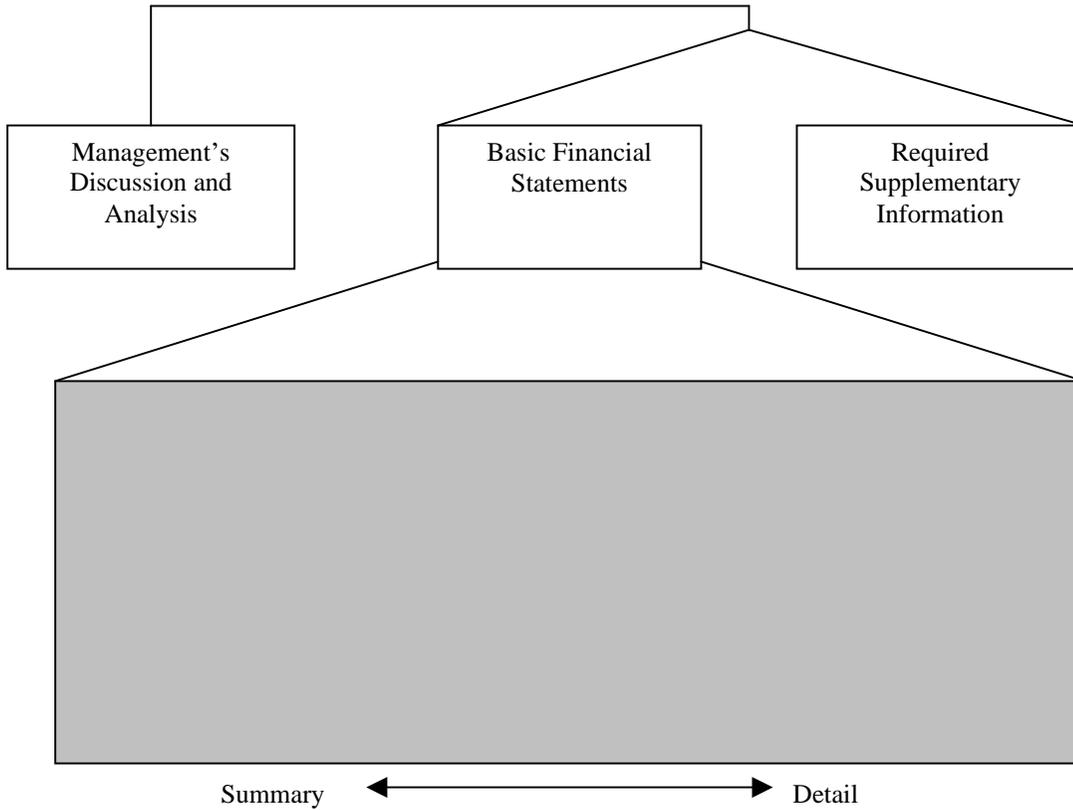


Figure A-2 on the next page summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the District-Wide and Fund Financial Statements				
	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services	Instances in which the district administers resources on behalf of someone else, such as scholarship monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses, and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both financial and capital, and short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-Wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's food service program would be included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements. The District's governmental funds include the General Fund; Special Revenue Funds; Debt Service Fund; and Capital Projects Fund.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund: school nutrition.

- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net Assets

The increase in net assets (see Figure A-3 on the next page) is due to the District currently increasing its capital asset levels (an approximate \$1,182,000 net increase). Net assets as a whole were able to increase approximately \$1,154,000 over last year as the District is accumulating local option sales and services tax funds to assist in the Central Elementary project and other future facility improvement projects.

Figure A-3**Condensed Statement of Net Assets (in thousands of dollars)**

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2005	2004	2005	2004	2005	2004	2004-2005
Current and other assets	\$ 13,756	\$ 7,406	\$ 38	\$ 73	\$ 13,794	\$ 7,479	\$ 6,315
Capital assets	6,762	5,592	60	48	6,822	5,640	1,182
Total assets	<u>20,518</u>	<u>12,998</u>	<u>98</u>	<u>121</u>	<u>20,616</u>	<u>13,119</u>	<u>7,497</u>
Long-term obligations	7,566	1,966	-	-	7,566	1,966	5,600
Other liabilities	5,857	5,113	12	13	5,869	5,126	743
Total liabilities	<u>13,423</u>	<u>7,079</u>	<u>12</u>	<u>16</u>	<u>13,435</u>	<u>7,092</u>	<u>6,343</u>
Net assets:							
Invested in capital assets, net of debt	5,232	3,680	60	48	5,292	3,728	1,564
Restricted	1,186	1,119	-	-	1,186	1,119	67
Unrestricted	<u>677</u>	<u>1,120</u>	<u>26</u>	<u>60</u>	<u>703</u>	<u>1,180</u>	<u>(477)</u>
Total net assets	<u>\$ 7,095</u>	<u>\$ 5,919</u>	<u>\$ 86</u>	<u>\$ 108</u>	<u>\$ 7,181</u>	<u>\$ 6,027</u>	<u>\$ 1,154</u>

Changes in Net Assets

Changes in Net Assets as shown in Figure A-4 on the next page, show that the District as a whole experienced a 1% increase in operating revenues while experiencing a 2.1% increase in operating expenditures. Decreases in operating grants and contributions revenue (26.5%) and support services expenditures (13%) can be attributed to the decrease in federal funding for the 21st Century Community Learning Center program which had accounted for approximately \$480,000 of District revenues and expenditures last year. An increase in interest rates led to a 111.1% increase in the District's overall investment earnings.

Figure A-4**Changes in Net Assets from Operating Results (in thousands of dollars)**

	Governmental Activities		Business-type Activities		Total School District		Percentage Change
	2005	2004	2005	2004	2005	2004	2004-2005
Revenues							
Program Revenues							
Charges for Services	\$ 1,108	\$ 1,123	\$ 347	\$ 340	\$ 1,455	\$ 1,463	(.5)%
Operating Grants & Contributions	1,184	1,684	191	187	1,375	1,871	(26.5)%
Capital Grants & Contributions	117	50	-	-	117	50	134.0%
General Revenues							
Property & Other Taxes	5,974	5,676	-	-	5,974	5,676	5.3%
Unrestricted State Grants	5,794	5,515	-	-	5,794	5,515	5.1%
Unrestricted Investment Earnings	74	35	2	1	76	36	111.1%
Other	43	80	-	-	43	80	(46.3)%
Total Revenues	\$ 14,294	\$ 14,163	\$ 540	\$ 528	\$ 14,834	\$ 14,691	1.0%
Program Expenses							
Governmental Activities							
Instruction	\$ 8,649	\$ 8,228	\$ -	\$ -	\$ 8,649	\$ 8,228	5.1%
Support Services	3,358	3,860	-	-	3,358	3,860	(13.0)%
Non-Instructional	29	21	562	541	591	562	10.5%
Other Expenditures	1,082	744	-	-	1,082	744	45.4%
Total Expenses	\$ 13,118	\$ 12,853	\$ 562	\$ 541	\$ 13,680	\$ 13,394	2.1%
Changes in Net Assets	\$ 1,176	\$ 1,310	\$ (22)	\$ (13)	\$ 1,154	\$ 1,297	(11.0)%

Governmental Activities

Referring to Figure A-4, revenues for the District's governmental activities were approximately \$14.3 million for fiscal year 2005. Total governmental expenditures were approximately \$13.1 million.

The District experienced a substantial decrease in taxable valuation from the prior fiscal year, from \$270.7 million to \$243.1 million due to an overall revaluation of rural property. The overall District tax rate increased from \$15.77 per thousand dollars of taxable valuation to \$16.59, a 5.2% increase. The increase can be attributed to a decision by the Board of Education to maintain revenues despite the decrease in taxable valuation.

Figure A-5 presents the cost of the District's major governmental activities: instruction, support services, non-instruction programs and other expenses. The table shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-5
Net Cost of Governmental Activities (in thousands of dollars)

	Total Cost of		Percentage	Net Cost of		Percentage
	Services		Change	Services		Change
	2005	2004	2004-2005	2005	2004	2004-2005
Instruction	\$ 8,649	\$ 8,228	5.1%	\$ 6,899	\$ 6,404	7.7%
Support Services	3,358	3,860	(13.0)%	3,229	3,244	(.5)%
Non-Instructional Programs	29	21	38.1%	29	21	38.1%
Other Expenditures	1,082	744	45.4%	552	327	68.8%
Total	\$ 13,118	\$ 12,853	2.1%	\$ 10,709	\$ 9,996	7.1%

- The cost of all governmental activities this year was approximately \$13.1 million.
- Some of the cost was financed by the users of the District’s programs (approximately \$1.1 million).
- The federal and state governments and private contributors subsidized certain programs with grants and contributions (approximately \$1.2 million).
- Most of the District’s net costs (approximately \$10.7 million), however, were financed by District and state taxpayers.
- This portion of governmental activities was financed with property taxes and other local taxes, unrestricted state aid (based in large part on the statewide education aid formula), investment earnings, and miscellaneous revenues.

Business-Type Activities

Revenues of the District’s business-type activities increased 2.3% to \$539,581 while expenses increased 3.9% to \$561,991. (Refer to Figure A-4.) The District’s business-type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements, and investment income. The Board of Education made the decision to increase lunch prices only (no increase in breakfast prices) for fiscal year 2005 to maintain the quality of the food service program. Most of the increase in expenses for fiscal year 2005 can be attributed to increased salaries and benefits.

Financial Analysis of the District’s Funds

As previously noted, the Nevada Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The strong financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported combined fund balances of \$7,622,072 which was above last year’s ending fund balances of \$2,024,620.

Governmental Fund Highlights

- The General Fund balance decreased from \$1,068,926 to \$607,186.
- The Management Fund balance decreased from a deficit of \$66,274 in fiscal year 2004 to a deficit of \$131,373 in fiscal year 2005. The deficit balance can be attributed to continued increased property/casualty insurance costs that most educational institutions are facing at this time and increased costs for the District early retirement program. Local property taxes have been increased in fiscal year 2006 to compensate for the additional insurance costs.
- The Physical Plant & Equipment Levy Fund balance increased from a deficit of \$33,709 in fiscal year 2004 to a deficit of \$13,082 in fiscal year 2005. Much of the increase can be attributed to decreased facility maintenance costs due to the construction of the Elementary School. The remaining deficit balance in the fund will be covered in fiscal year 2006 by decreasing spending.
- The Capital Projects Fund balance increased from \$761,202 in fiscal year 2004 to \$6,861,916 in fiscal year 2005. The increase in this fund can be attributed to collections of local option sales tax for facilities and the proceeds of the \$6 million local option tax revenue bond issue.

Business-Type Fund Highlights

The School Nutrition Fund, as previously stated, is the District's only fund categorized as a Business-Type Fund. The fund balance in the School Nutrition Fund decreased from \$108,587 in fiscal year 2004 to \$86,177 in fiscal year 2005. The decrease can be attributed to the decision to begin to replace some equipment in fiscal year 2005 using fund balance for this purpose.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. Starting in fiscal year 2005, the District's certified budget is prepared on the accrual basis. A schedule showing the original budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, a budget for the General Fund is not presented in the budgetary comparison on pages 66 and 67.

Legal Budgetary Highlights

The District's total actual receipts were \$1,308,267 more than total budgeted receipts due to a larger than expected increase in local option tax collections.

Total expenditures were more than budgeted due primarily to the District's budget for governmental fund types. It is the District's practice to budget expenditures by using estimates based on past experience. The District then manages or controls governmental fund type

spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction, non-instructional, and other expenditure areas due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

Capital Asset and Debt Administration

Capital Assets

By the end of fiscal 2005, the District had invested approximately \$6.8 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers and audio-visual equipment, transportation equipment, and administrative offices (see Figure A-6). This amount represents a net increase of 21 percent from last year due mostly to the construction in progress at the Elementary School. More detailed information about capital assets is available in Note 5 to the financial statements. Depreciation expense for the year was \$265,185 for governmental activities.

Excluding depreciation, the District has approximately \$12.7 million in capital assets. Governmental funds account for approximately \$12.4 million of these assets.

Figure A-6

Capital Assets (net of accumulated depreciation, in thousands of dollars)

	Governmental Activities		Business-type Activities		Total School District		Total Percentage Change
	2005	2004	2005	2004	2005	2004	2004-2005
Land	\$ 282	\$ 231	\$ -	\$ -	\$ 282	\$ 231	22.1%
Construction in Progress	1,261	-	-	-	1,261	-	100.0
Buildings	4,576	4,671	-	-	4,576	4,671	(2.0)
Improvements Other Than Buildings	290	291	-	-	290	291	(0.3)
Equipment & Furniture	353	399	60	48	413	447	(7.6)
Total	<u>\$ 6,762</u>	<u>\$ 5,592</u>	<u>\$ 60</u>	<u>\$ 48</u>	<u>\$ 6,822</u>	<u>\$ 5,640</u>	21.0

Long-Term Debt

At year-end, the District had \$7,565,821 in general obligation debt and other long-term debt outstanding. This represents an increase of 285% from last year due mainly to the \$6 million local option tax revenue bond issue for the Elementary School and the \$140,999 capital lease issued for computers (see Figure A-7). More detailed information about the District's long-term liabilities is available in Note 6 to the financial statements.

The District also had total outstanding Capital Loan Notes payable from the General Fund and the Special Revenue, Physical Plant and Equipment Levy Fund of \$204,323 as of June 30, 2005.

Figure A-7**Outstanding Long-Term debt (in thousands of dollars)**

	Total School District		Total Percentage Change
	2005	2004	2004-2005
General Obligation Bonds	\$ 1,185	\$ 1,595	(25.7%)
Revenue Bonds	6,000	-	100.0
Notes Payable	204	317	(35.6)
Capital Leases Payable	141	-	100.0
Early Retirement	36	54	(33.3)
Total	\$ 7,566	\$ 1,966	285%

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of five existing circumstances that could significantly affect its financial health in the future:

- The national recession that has adversely impacted the State of Iowa's budget has translated into reduced levels of state aid funding for public education in the state. Future increases in state aid to schools (allowable growth), will be based upon the condition of the state and national economy. State funding growth for fiscal year 2004 and 2005 was set at 2% by the legislative session for each of the years. These are the lowest levels of state funding growth to schools in over ten years.
- The District has a one-year contract with the Nevada Community Education Association (NCEA) which included an overall increase in salary and benefits for certified teaching staff of 3.99% for fiscal year 2005. Staff represented by NCEA make up \$6.5 million in wages and benefits or 55% of all General Fund expenditures. Settlements with the NCEA have typically set the standard for agreements with other employees in the District. Settlements with employee groups that exceed the rate of growth in state funding will have an adverse impact upon the District's General Fund budget.
- District enrollment increased in fiscal year 2005 by 12 students, or .8% of the enrollment of 1,520 in fiscal year 2004. District funding is highly dependent upon District enrollments. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- The District continues to see increases in the cost of special education programs both in the District and outside of the District. Many students are tuitioned out of the District for special education programs. The current state funding mechanism in place for special education programs recovers a program deficit by placing the burden on local property taxes. The District had the third highest tax levy in Story County during Fiscal Year 2005. Whether the District can continue to raise the local tax levy for any education program will be a future concern.
- Factors such as District enrollment, future budget growth, and community support will all be important as the District's Board of Education makes decisions on how to continue with facility improvements needed throughout the District. Now that the Elementary expansion project has been started, the Board of Education may decide soon on how to continue to update the Elementary school facilities.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brian Schaeffer, Business Manager, Nevada Community School District, 1035 15th Street, Nevada, Iowa 50201-1952.

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BASIC FINANCIAL STATEMENTS

NEVADA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2005

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 8,829,655	\$ 41,300	\$ 8,870,955
Receivables:			
Property tax:			
Current year	75,149	-	75,149
Succeeding year	4,003,790	-	4,003,790
Income surtax	296,948	-	296,948
Accrued interest	18,118	-	18,118
Accounts	122,742	412	123,154
Due from other governments	366,606	-	366,606
Interfund balances (note 4)	37,431	(37,431)	-
Inventories	-	33,769	33,769
Prepaid expenses	5,108	-	5,108
Capital assets, net of accumulated depreciation (note 5)	6,762,097	60,063	6,822,160
Total assets	20,517,644	98,113	20,615,757
Liabilities			
Accounts payable	363,882	741	364,623
Salaries and benefits payable	1,184,986	-	1,184,986
Due to other governments	158,777	-	158,777
Accrued interest payable	20,551	-	20,551
Deferred revenue:			
Succeeding year property tax	4,003,790	-	4,003,790
Other	-	11,195	11,195
Early retirement payable	125,092	-	125,092
Long-term liabilities (note 6):			
Portion due within one year:			
Bonds payable	415,000	-	415,000
Notes payable	119,323	-	119,323
Capital lease purchase agreement	49,510	-	49,510
Early retirement	14,530	-	14,530
Portion due after one year:			
Bonds payable	6,770,000	-	6,770,000
Notes payable	85,000	-	85,000
Capital lease purchase agreement	91,489	-	91,489
Early retirement	20,969	-	20,969
Total liabilities	13,422,899	11,936	13,434,835

NEVADA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2005

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 5,231,775	\$ 60,063	\$ 5,291,838
Restricted for:			
Other special revenue purposes	198,235	-	198,235
Debt service	78,639	-	78,639
Capital projects	861,916	-	861,916
State grants	46,764	-	46,764
Unrestricted	<u>677,416</u>	<u>26,114</u>	<u>703,530</u>
Total net assets	<u>\$ 7,094,745</u>	<u>\$ 86,177</u>	<u>\$ 7,180,922</u>

See notes to the basic financial statements.

NEVADA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities:				
Instruction:				
Regular instruction	\$ 5,771,338	\$ 491,050	\$ 422,659	\$ -
Special instruction	1,640,021	155,956	191,661	-
Other instruction	1,237,368	427,279	61,233	-
	<u>8,648,727</u>	<u>1,074,285</u>	<u>675,553</u>	<u>-</u>
Support services:				
Student services	629,174	25,000	7,754	-
Instructional staff services	427,449	-	-	-
Administration services	856,527	-	-	-
Operation and maintenance of plant services	972,783	8,643	86,525	-
Transportation services	472,413	-	1,530	-
	<u>3,358,346</u>	<u>33,643</u>	<u>95,809</u>	<u>-</u>
Non-instructional programs	<u>29,210</u>	-	-	-
Other expenditures:				
Facilities acquisition	392,253	-	-	117,088
Long-term debt interest and fiscal charges	65,052	-	-	-
AEA flowthrough	412,669	-	412,669	-
Depreciation (unallocated) *	211,923	-	-	-
	<u>1,081,897</u>	<u>-</u>	<u>412,669</u>	<u>117,088</u>
Total governmental activities	13,118,180	1,107,928	1,184,031	117,088
Business-Type Activities:				
Non-instructional programs:				
Food service operations	<u>561,991</u>	<u>347,314</u>	<u>190,492</u>	<u>-</u>
Total	<u>\$ 13,680,171</u>	<u>\$ 1,455,242</u>	<u>\$ 1,374,523</u>	<u>\$ 117,088</u>

Net (Expense) Revenue
and Changes in Net Assets

<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
\$ (4,857,629)	\$ -	\$ (4,857,629)
(1,292,404)	-	(1,292,404)
(748,856)	-	(748,856)
<u>(6,898,889)</u>	<u>-</u>	<u>(6,898,889)</u>
(596,420)	-	(596,420)
(427,449)	-	(427,449)
(856,527)	-	(856,527)
(877,615)	-	(877,615)
(470,883)	-	(470,883)
<u>(3,228,894)</u>	<u>-</u>	<u>(3,228,894)</u>
<u>(29,210)</u>	<u>-</u>	<u>(29,210)</u>
(275,165)	-	(275,165)
(65,052)	-	(65,052)
-	-	-
<u>(211,923)</u>	<u>-</u>	<u>(211,923)</u>
<u>(552,140)</u>	<u>-</u>	<u>(552,140)</u>
(10,709,133)	-	(10,709,133)
<u>-</u>	<u>(24,185)</u>	<u>(24,185)</u>
<u>(10,709,133)</u>	<u>(24,185)</u>	<u>(10,733,318)</u>

NEVADA COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Functions/Programs

General Revenues:

Property tax levied for:

General purposes

Debt service

Capital outlay

Income surtax

Local option sales and services tax

Unrestricted state grants

Unrestricted investment earnings

Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

* = This amount excludes the depreciation that is included
in the direct expense of the various programs.

See notes to the basic financial statements.

Net (Expense) Revenue
and Changes in Net Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		<u>Total</u>
\$	3,416,752	\$ -	\$	3,416,752
	444,929	-		444,929
	274,973	-		274,973
	322,661	-		322,661
	1,514,873	-		1,514,873
	5,794,091	-		5,794,091
	73,848	1,775		75,623
	42,720	-		42,720
	<hr/>			<hr/>
	11,884,847	1,775		11,886,622
	<hr/>			<hr/>
	1,175,714	(22,410)		1,153,304
	<hr/>			<hr/>
	5,919,031	108,587		6,027,618
	<hr/>			<hr/>
\$	<u>7,094,745</u>	\$ <u>86,177</u>	\$	<u>7,180,922</u>

NEVADA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and pooled investments	\$ 1,761,026	\$ 6,772,673	\$ 295,956	\$ 8,829,655
Receivables:				
Property tax:				
Current year	34,603	-	40,546	75,149
Succeeding year	3,056,843	-	946,947	4,003,790
Income surtax	296,948	-	-	296,948
Accrued interest	18,118	-	-	18,118
Interfund receivable (note 4)	73,025	-	5,818	78,843
Accounts	710	117,088	4,944	122,742
Due from other governments	131,770	234,836	-	366,606
Prepaid expenses	5,108	-	-	5,108
	<hr/>			
Total assets	<u>\$ 5,378,151</u>	<u>\$ 7,124,597</u>	<u>\$ 1,294,211</u>	<u>\$ 13,796,959</u>

NEVADA COMMUNITY SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 67,593	\$ 262,681	\$ 33,608	\$ 363,882
Salaries and benefits payable	1,184,986	-	-	1,184,986
Due to other governments	158,777	-	-	158,777
Interfund payable (note 4)	5,818	-	35,594	41,412
Deferred revenue:				
Succeeding year property tax	3,056,843	-	946,947	4,003,790
Other	296,948	-	-	296,948
Early retirement payable (note 6)	-	-	125,092	125,092
Total liabilities	4,770,965	262,681	1,141,241	6,174,887
Fund balance:				
Reserved for:				
Prepaid expenses	5,108	-	-	5,108
State grants	46,764	-	-	46,764
Local option sales and services tax revenue bonds	-	600,000	-	600,000
Debt service	-	-	99,190	99,190
Unreserved:				
Designated for wind turbine maintenance	54,000	-	-	54,000
Reported in nonmajor Special Revenue Funds	-	-	53,780	53,780
Undesignated	501,314	6,261,916	-	6,763,230
Total fund balances	607,186	6,861,916	152,970	7,622,072
Total liabilities and fund balances	\$ 5,378,151	\$ 7,124,597	\$ 1,294,211	\$ 13,796,959

See notes to the basic financial statements.

NEVADA COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2005

Total fund balances of governmental funds	\$ 7,622,072
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	6,762,097
Other long-term assets, including income surtax receivable, are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	296,948
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(20,551)
Long-term liabilities, including bonds and notes payable, capital lease purchase agreements, and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(7,565,821)</u>
Net assets of governmental activities	<u>\$ 7,094,745</u>

See notes to the basic financial statements.

NEVADA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	General	Capital Projects	Nonmajor Governmental Funds	Total
Revenues:				
Local sources:				
Local tax	\$ 3,501,180	\$ 1,514,873	\$ 930,449	\$ 5,946,502
Tuition	605,500	-	-	605,500
Other	142,958	210,640	446,373	799,971
State sources	6,599,106	-	611	6,599,717
Federal sources	282,441	3,535	141	286,117
Total revenues	<u>11,131,185</u>	<u>1,729,048</u>	<u>1,377,574</u>	<u>14,237,807</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	5,566,568	-	218,312	5,784,880
Special instruction	1,640,021	-	-	1,640,021
Other instruction	792,578	-	444,790	1,237,368
	<u>7,999,167</u>	<u>-</u>	<u>663,102</u>	<u>8,662,269</u>
Support services:				
Student services	629,174	-	-	629,174
Instructional staff services	427,449	-	-	427,449
Administration services	850,800	-	-	850,800
Operation and maintenance of plant services	901,568	-	44,356	945,924
Transportation services	443,407	-	13,332	456,739
	<u>3,252,398</u>	<u>-</u>	<u>57,688</u>	<u>3,310,086</u>
Non-instructional programs	<u>28,812</u>	<u>-</u>	<u>398</u>	<u>29,210</u>
Other expenditures:				
Capital outlay:				
Facilities acquisition	-	1,659,554	167,781	1,827,335
Debt Service:				
Principal	-	-	522,337	522,337
Interest	-	-	47,468	47,468
Fiscal charges	-	-	1,200	1,200
Intergovernmental:				
AEA flowthrough	412,669	-	-	412,669
	<u>412,669</u>	<u>1,659,554</u>	<u>738,786</u>	<u>2,811,009</u>
Total expenditures	<u>11,693,046</u>	<u>1,659,554</u>	<u>1,459,974</u>	<u>14,812,574</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(561,861)</u>	<u>69,494</u>	<u>(82,400)</u>	<u>(574,767)</u>

NEVADA COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	General	Capital Projects	Nonmajor Governmental Funds	Total
Other financing sources (uses):				
Interfund transfers in	\$ -	\$ -	\$ 127,443	\$ 127,443
Interfund transfers out	(40,878)	-	(86,565)	(127,443)
Capital lease purchase agreement	140,999	-	-	140,999
Local option sales and services tax revenue bonds issued	-	6,000,000	-	6,000,000
Premium on sale of bonds	-	31,220	-	31,220
Total other financing sources (uses)	<u>100,121</u>	<u>6,031,220</u>	<u>40,878</u>	<u>6,172,219</u>
Net change in fund balances	(461,740)	6,100,714	(41,522)	5,597,452
Fund balances beginning of year	<u>1,068,926</u>	<u>761,202</u>	<u>194,492</u>	<u>2,024,620</u>
Fund balances end of year	<u>\$ 607,186</u>	<u>\$ 6,861,916</u>	<u>\$ 152,970</u>	<u>\$ 7,622,072</u>

See notes to the basic financial statements.

NEVADA COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Net change in fund balances - total governmental funds \$ 5,597,452

Amounts reported for governmental activities in the statement of activities
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the statement of net assets and are allocated over their estimated useful lives as depreciation expense in the statement of activities. The amounts of capital outlays and depreciation expense in the year are as follows:

	Capital outlays	\$ 1,435,082	
	Depreciation expense	<u>(265,185)</u>	1,169,897

Certain income surtax not received until several months after the District's fiscal year ends is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the statement of activities. 24,867

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets. 522,337

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (16,384)

Some expenses reported in the statement of activities, such as early retirement, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 18,544

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds but increase long-term liabilities in the statement of net assets and do not affect the statement of activities. (6,140,999)

Change in net assets of governmental activities \$ 1,175,714

See notes to the basic financial statements.

NEVADA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
PROPRIETARY FUND

June 30, 2005

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 41,300
Accounts receivable	412
Inventories	33,769
Capital assets, net of accumulated depreciation (note 5)	<u>60,063</u>
Total assets	<u>135,544</u>
Liabilities	
Accounts payable	741
Interfund payable (note 4)	37,431
Deferred revenue	<u>11,195</u>
Total liabilities	<u>49,367</u>
Net Assets	
Invested in capital assets	60,063
Unrestricted	<u>26,114</u>
Total net assets	<u>\$ 86,177</u>

See notes to the basic financial statements.

NEVADA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUND
 Year Ended June 30, 2005

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>347,314</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	233,192
Benefits	44,535
Purchased services	14,143
Supplies	254,347
Depreciation	10,570
Other	<u>5,204</u>
	<u>561,991</u>
Operating loss	<u>(214,677)</u>
Non-operating revenues:	
Interest on investments	1,775
State sources	6,806
Federal sources	<u>183,686</u>
Total non-operating revenues	<u>192,267</u>
Change in net assets	(22,410)
Net assets beginning of year	<u>108,587</u>
Net assets end of year	\$ <u><u>86,177</u></u>

See notes to the basic financial statements.

NEVADA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2005

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 336,032
Cash received from miscellaneous operating activities	9,426
Cash payments to employees for services	(260,342)
Cash payments to suppliers for goods or services	<u>(231,846)</u>
Net cash used in operating activities	<u>(146,730)</u>
Cash flows from non-capital financing activities:	
State grants received	6,806
Federal grants received	<u>151,210</u>
Net cash provided by non-capital financing activities	<u>158,016</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(22,200)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,775</u>
Net decrease in cash and cash equivalents	(9,139)
Cash and cash equivalents beginning of year	<u>50,439</u>
Cash and cash equivalents end of year	<u>\$ 41,300</u>

NEVADA COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2005

	<u>School Nutrition</u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (214,677)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	10,570
Commodities used	32,476
Decrease in accounts receivable	139
(Increase) in inventories	(2,644)
(Decrease) in accounts payable	(107)
Increase in interfund payable	28,507
(Decrease) in deferred revenue	<u>(994)</u>
Net cash used in operating activities	<u>\$ (146,730)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received \$32,476 of federal commodities.

See notes to the basic financial statements.

NEVADA COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS
 FIDUCIARY FUNDS
 June 30, 2005

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ <u>32,188</u>	\$ <u>406</u>
Liabilities:		
Other payables	<u>-</u>	<u>\$ 406</u>
Net assets:		
Reserved for scholarships	<u>\$ 32,188</u>	

See notes to the basic financial statements.

NEVADA COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN NET ASSETS
 FIDUCIARY FUNDS
 Year Ended June 30, 2005

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 12,000	
Interest	<u>596</u>	
Total additions		<u>12,596</u>
Deductions:		
Instruction:		
Scholarships		13,000
Support services:		
Supplies		<u>367</u>
Total deductions		<u>13,367</u>
Change in net assets		(771)
Net assets beginning of year		<u>32,959</u>
Net assets end of year	\$	<u><u>32,188</u></u>

See notes to the basic financial statements.

NEVADA COMMUNITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2005

Note 1. Summary of Significant Accounting Policies

Nevada Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Nevada, Iowa, and the agricultural territory in Story County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Nevada Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Nevada Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Story County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The statement of net assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

NEVADA COMMUNITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

NEVADA COMMUNITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

All proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

NEVADA COMMUNITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the statement of net assets and the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Income surtax receivable – Income surtax budgeted for the fiscal year ended June 30, 2005 will not be received by the District until the fiscal year ending June 30, 2006. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

Interfund Receivables and Payables – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. To the extent that these transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

NEVADA COMMUNITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment are reported in the applicable governmental or business-type activities columns in the District-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund Equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	20-50 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

NEVADA COMMUNITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2005

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Invested in capital assets, net of related debt – In the District-wide statement of net assets, the net asset balance invested in capital assets, net of related debt is equal to the capital assets balances, including restricted capital assets, less accumulated depreciation and the outstanding balances of any bonds, notes, or other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets – In the District-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, expenditures in the instruction, non-instructional programs, and other expenditures functions exceeded the amounts budgeted.

Note 2. Cash and Pooled Investments

As of June 30, 2005, the carrying amount of the District's bank deposits and pooled investments totaled \$8,870,955 with bank balances of \$3,953,747. These amounts are included in the cash and pooled investments on the District-wide statement of net assets, the governmental funds balance sheet, the proprietary fund statement of net assets, and the fiduciary fund statement of net assets. Of the bank balances, \$200,000 was covered by federal depository insurance and \$3,753,747 was collateralized by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. During the year ended June 30, 2005, the District invested in certificates of deposits, the Iowa Schools Joint Investment Trust and a money market mutual fund.

NEVADA COMMUNITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2005

Note 2. Cash and Pooled Investments (continued)

The District's investments at June 30, 2005 are as follows:

Type	Amortized Cost/ Fair Value
Iowa Schools Joint Investment Trust - Diversified Portfolio	\$ 4,581,895
Money Market Mutual Fund	<u>604,675</u>
	<u>\$ 5,186,570</u>

The investments in the Iowa Schools Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940. The money market mutual fund is stated at fair value.

Interest rate risk – The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit Risk – The investments in the Iowa Schools Joint Investment Trust and the money market mutual fund were rated Aaa by Moody's Investors Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

Transfer to	Transfer from	Amount
Debt Service	General	\$ 40,878
	Special Revenue:	
	Physical Plant and Equipment Levy	<u>86,565</u>
Total		<u>\$ 127,443</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NEVADA COMMUNITY SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2005

Note 4. Interfund Receivables, Payables, and Balances

At June 30, 2005, the interfund receivables, payables, and balances consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Interfund balances between Governmental Funds:		
Pooled cash balances:		
General	Special Revenue - Management Levy	\$ 7,704
General	Special Revenue - Physical Plant and Equipment Levy	27,890
Debt Service	General	<u>5,818</u>
		<u>41,412</u>
Interfund balances between Proprietary and Governmental Funds:		
Other receivables:		
General	Enterprise - School Nutrition	<u>37,431</u>
Total		<u>\$ 78,843</u>

Pooled cash balances are temporary financing between funds which is necessary due to the timing of expected tax collections. These balances are not included on the District-wide statement of net assets.

Other receivable interfund balances are due to timing differences involved in the reimbursement of Nutrition Fund payroll and other expenses at year end to the General Fund. These balances have been eliminated on the face of the District-wide statement of net assets.

NEVADA COMMUNITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2005

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 231,244	\$ 51,000	\$ -	\$ 282,244
Construction in progress	-	1,261,013	-	1,261,013
Total capital assets not being depreciated	<u>231,244</u>	<u>1,312,013</u>	<u>-</u>	<u>1,543,257</u>
Capital assets being depreciated:				
Buildings	8,545,808	100,160	-	8,645,968
Improvements other than buildings	727,470	16,206	-	743,676
Furniture and equipment	1,472,548	6,703	-	1,479,251
Total capital assets being depreciated	<u>10,745,826</u>	<u>123,069</u>	<u>-</u>	<u>10,868,895</u>
Less accumulated depreciation for:				
Buildings	3,875,203	195,259	-	4,070,462
Improvements other than buildings	436,540	16,664	-	453,204
Furniture and equipment	1,073,127	53,262	-	1,126,389
Total accumulated depreciation	<u>5,384,870</u>	<u>265,185</u>	<u>-</u>	<u>5,650,055</u>
Total capital assets being depreciated, net	<u>5,360,956</u>	<u>(142,116)</u>	<u>-</u>	<u>5,218,840</u>
Governmental activities capital assets, net	<u>\$ 5,592,200</u>	<u>\$ 1,169,897</u>	<u>\$ -</u>	<u>\$ 6,762,097</u>

NEVADA COMMUNITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2005

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 240,693	\$ 22,200	\$ 4,906	\$ 257,987
Less accumulated depreciation	192,260	10,570	4,906	197,924
Business-type activities capital assets, net	\$ 48,433	\$ 11,630	\$ -	\$ 60,063

Depreciation expense was charged by the District to the following functions:

Governmental activities:	
Instruction:	
Regular	\$ 5,002
Support services:	
Administration	5,727
Operation and maintenance of plant services	26,859
Transportation	15,674
	53,262
Unallocated depreciation	211,923
Total governmental activities depreciation expense	\$ 265,185
Business-type activities:	
Food service operations	\$ 10,570

NEVADA COMMUNITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2005

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2005 is as follows:

	General Obligation Bonds	Local Option Sales and Services Tax Revenue Bonds	Capital Loan Notes	Capital Lease Purchase Agreement	Early Retirement	Total
Balance beginning of year	\$ 1,595,000	\$ -	\$ 316,660	\$ -	\$ 54,043	\$ 1,965,703
Additions	-	6,000,000	-	140,999	128,995	6,269,994
Reductions	410,000	-	112,337	-	147,539	669,876
Balance end of year	<u>\$ 1,185,000</u>	<u>\$ 6,000,000</u>	<u>\$ 204,323</u>	<u>\$ 140,999</u>	<u>\$ 35,499</u>	<u>\$ 7,565,821</u>
Due within one year	<u>\$ 415,000</u>	<u>\$ -</u>	<u>\$ 119,323</u>	<u>\$ 49,510</u>	<u>\$ 14,530</u>	<u>\$ 598,363</u>

Bonds Payable

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Rate	March 2003 Issue		
		Principal	Interest	Total
2006	2.15 %	\$ 415,000	\$ 23,955	\$ 438,955
2007	2.15	420,000	14,979	434,979
2008	2.20-2.60	350,000	5,950	355,950
Total		<u>\$ 1,185,000</u>	<u>\$ 44,884</u>	<u>\$ 1,229,884</u>

NEVADA COMMUNITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2005

Note 6. Long-Term Liabilities (continued)

Local Option Sales and Services Tax Revenue Bonds

Details of the District's June 30, 2005 local option sales and services tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Rate	Principal	Interest	Total
2006	3.10 %	\$ -	\$ 122,710	\$ 122,710
2007	3.10	665,000	200,053	865,053
2008	3.20	685,000	178,785	863,785
2009	3.60	710,000	155,045	865,045
2010	3.60	730,000	129,125	859,125
2011	3.60	760,000	102,305	862,305
2012	3.60	785,000	74,495	859,495
2013	3.60	815,000	45,695	860,695
2014	3.65	850,000	15,512	865,512
Total		<u>\$ 6,000,000</u>	<u>\$ 1,023,725</u>	<u>\$ 7,023,725</u>

The local option sales and services tax revenue bonds were issued for school infrastructure. The bonds are payable solely from the proceeds of the local option sales and services tax revenues received by the District in accordance with Chapter 423E of the Code of Iowa. The bonds are not a general obligation of the District. The debt, however, is subject to the constitutional debt limitation of the District.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the local option sales and services tax revenues received by the District and the bond holders hold a lien on the future revenues received.
- (b) Sufficient monthly deposits amounting to one sixth of the next interest payment and one twelfth of the next principal payment shall be made to the Local Option Sales and Services Tax Sinking Fund for the purpose of making the bond principal and interest payments when due.
- (c) A separate bond reserve fund will be maintained in the amount of \$600,000 to be used solely for the purpose of paying principal and interest in the event the revenue fund does not have sufficient funds for that purpose. This fund is called the Local Option Sales and Services Tax Reserve Fund.

As of June 30, 2005, the District had not yet set up a separate sinking fund or reserve fund. The local option sales and services tax revenue bond reserve is recorded as reserved fund equity in the Capital Projects Fund.

NEVADA COMMUNITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2005

Note 6. Long-Term Liabilities (continued)

Capital Loan Notes

Details of the District's June 30, 2005 capital loan note indebtedness are as follows:

Year Ending June 30,	Rate	September 1999 Issue		
		Principal	Interest	Total
2006	5.25 %	\$ 39,323	\$ 1,555	\$ 40,878
Year Ending June 30,	Rate	June 2000 Issue		
		Principal	Interest	Total
2006	5.40 %	\$ 45,000	\$ 5,180	\$ 50,180
2007	5.50	50,000	2,750	52,750
		<u>95,000</u>	<u>7,930</u>	<u>102,930</u>
Year Ending June 30,	Rate	June 2001 Issue		
		Principal	Interest	Total
2006	4.00 %	\$ 35,000	\$ 2,800	\$ 37,800
2007	4.00	35,000	1,400	36,400
		<u>70,000</u>	<u>4,200</u>	<u>74,200</u>
Total		<u>\$ 204,323</u>	<u>\$ 13,685</u>	<u>\$ 218,008</u>

Capital Lease Purchase Agreement

During the year ended June 30, 2005, the District entered into a capital lease purchase agreement for the lease purchase of computers, servers, and networking equipment. Details of the District's June 30, 2005 capital lease purchase agreement indebtedness are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 49,510	\$ 479	\$ 49,989
2007	44,304	5,685	49,989
2008	47,185	2,804	49,989
Total	<u>\$ 140,999</u>	<u>\$ 8,968</u>	<u>\$ 149,967</u>

NEVADA COMMUNITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2005

Note 6. Long-Term Liabilities (continued)

Early Retirement

The District offers a voluntary early retirement plan to its certified employees and support staff. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to 45% of the employee's base salary. The employee's base salary is calculated by using the current year regular salary schedule, less any other additional pay. Early retirement benefits paid during the year ended June 30, 2005, totaled \$61,866. The cost of early retirement payments expected to be liquidated currently is recorded as a liability of the Special Revenue, Management Levy Fund in the fund financial statements and as a liability of the Governmental Activities in the District-wide financial statements. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$422,988, \$421,757, and \$416,257 respectively, equal to the required contributions for each year.

Note 8. Risk Management

Nevada Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There have been no significant reductions in insurance coverage from coverage in the prior year.

Note 9. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$412,669 for the year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

NEVADA COMMUNITY SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2005

Note 10. Construction Commitments

The District entered into various contracts totaling \$6,441,286 for an elementary school addition and improvements. At June 30, 2005 \$489,159 of the contracts were completed. The remaining amounts of the contracts will be paid as work on the project progresses.

Note 11. Deficit Fund Balances

The Special Revenue, Management Levy Fund and the Special Revenue, Physical Plant and Equipment Levy Fund within the nonmajor governmental funds had deficit balances of \$131,373 and \$13,082, respectively, at June 30, 2005.

REQUIRED SUPPLEMENTARY INFORMATION

NEVADA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances –
 Budget and Actual (Accrual Conversion Basis) – All Governmental Funds
 and Proprietary Fund
 Required Supplementary Information
 Year Ended June 30, 2005

	Governmental Funds - Actual	Proprietary Fund - Actual	Total Actual	Budgeted Amount Original and Final	Final to Actual Variance
REVENUES:					
Local sources	\$ 7,632,528	\$ 337,451	\$ 7,969,979	\$ 6,777,870	\$ 1,192,109
State sources	6,608,693	6,806	6,615,499	6,683,672	(68,173)
Federal sources	324,249	183,686	507,935	323,604	184,331
Total revenues	14,565,470	527,943	15,093,413	13,785,146	1,308,267
EXPENDITURES:					
Instruction	9,626,176	-	9,626,176	8,626,447	(999,729)
Support services	3,689,815	-	3,689,815	4,654,234	964,419
Non-instructional programs	18,900	492,205	511,105	498,500	(12,605)
Other expenditures	2,833,824	-	2,833,824	1,018,170	(1,815,654)
Total expenditures	16,168,715	492,205	16,660,920	14,797,351	(1,863,569)
Excess (deficiency) of revenues over (under) expenditures	(1,603,245)	35,738	(1,567,507)	(1,012,205)	(555,302)
Other financing sources, net	6,172,219	-	6,172,219	-	6,172,219
Excess (deficiency) of revenues and other financing sources over (under) expenditures	4,568,974	35,738	4,604,712	(1,012,205)	5,616,917
Balance beginning of year	3,053,098	50,439	3,103,537	3,268,255	(164,718)
Balance end of year	\$ <u>7,622,072</u>	\$ <u>86,177</u>	\$ <u>7,708,249</u>	\$ <u>2,256,050</u>	\$ <u>5,452,199</u>

See accompanying independent auditor's report.

NEVADA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule – Budget to GAAP Reconciliation
 Required Supplementary Information
 Year Ended June 30, 2005

	Governmental Funds		
	Accrual Conversion Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 14,565,470	\$ (327,663)	\$ 14,237,807
Expenditures	16,168,715	(1,356,141)	14,812,574
Net	(1,603,245)	1,028,478	(574,767)
Other financing sources (uses)	6,172,219	-	6,172,219
Beginning fund balances	3,053,098	(1,028,478)	2,024,620
Ending fund balances	<u>\$ 7,622,072</u>	<u>\$ -</u>	<u>\$ 7,622,072</u>

	Proprietary Fund		
	Enterprise		
	Accrual Conversion Basis	Accrual Adjust- ments	Accrual Basis
Revenues	\$ 527,943	\$ 11,638	\$ 539,581
Expenses	492,205	69,786	561,991
Net	35,738	(58,148)	(22,410)
Beginning net assets	50,439	58,148	108,587
Ending net assets	<u>\$ 86,177</u>	<u>\$ -</u>	<u>\$ 86,177</u>

See accompanying independent auditor's report.

NEVADA COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the modified accrual basis. Encumbrances are not recognized on the budget and appropriations lapse at year end.

During the year ended June 30, 2005, the District began budgeting on the modified accrual basis. In order to initiate this change, it was necessary to begin the year on the cash basis and to end the year on the modified accrual basis. It was necessary to include two months of prior year accruals to facilitate this initial year conversion.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2005, expenditures in the instruction, non-instructional programs, and other expenditures functions exceeded the amounts budgeted.

OTHER SUPPLEMENTARY INFORMATION

NEVADA COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Assets					
Cash and pooled investments	\$ -	\$ 207,702	\$ -	\$ 88,254	\$ 295,956
Receivables:					
Property tax:					
Current year	2,279	-	33,149	5,118	40,546
Succeeding year	297,793	-	252,859	396,295	946,947
Interfund receivable	-	-	-	5,818	5,818
Accounts	-	4,944	-	-	4,944
Total assets	\$ <u>300,072</u>	\$ <u>212,646</u>	\$ <u>286,008</u>	\$ <u>495,485</u>	\$ <u>1,294,211</u>
Liabilities and Fund Equity					
Liabilities:					
Accounts payable	\$ 856	\$ 14,411	\$ 18,341	\$ -	\$ 33,608
Interfund payable	7,704	-	27,890	-	35,594
Deferred revenue:					
Succeeding year property tax	297,793	-	252,859	396,295	946,947
Early retirement	125,092	-	-	-	125,092
Total liabilities	431,445	14,411	299,090	396,295	1,141,241
Fund equity:					
Fund balances:					
Reserved for:					
Debt service	-	-	-	99,190	99,190
Unreserved:					
Undesignated	(131,373)	198,235	(13,082)	-	53,780
Total fund equity	(131,373)	198,235	(13,082)	99,190	152,970
Total liabilities and fund equity	\$ <u>300,072</u>	\$ <u>212,646</u>	\$ <u>286,008</u>	\$ <u>495,485</u>	\$ <u>1,294,211</u>

See accompanying independent auditor's report.

NEVADA COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Revenues:					
Local sources:					
Local tax	\$ 211,013	\$ -	\$ 274,804	\$ 444,632	\$ 930,449
Other	-	446,373	-	-	446,373
State sources	145	-	169	297	611
Federal sources	141	-	-	-	141
Total revenues	<u>211,299</u>	<u>446,373</u>	<u>274,973</u>	<u>444,929</u>	<u>1,377,574</u>
Expenditures:					
Current:					
Instruction:					
Regular instruction	218,312	-	-	-	218,312
Other instruction	-	444,790	-	-	444,790
Support services:					
Operation and maintenance of plant services	44,356	-	-	-	44,356
Transportation services	13,332	-	-	-	13,332
Non instructional programs	398	-	-	-	398
Other expenditures:					
Capital Outlay:					
Facilities acquisition	-	-	167,781	-	167,781
Debt Service:					
Principal	-	-	-	522,337	522,337
Interest	-	-	-	47,468	47,468
Fiscal charges	-	-	-	1,200	1,200
Total expenditures	<u>276,398</u>	<u>444,790</u>	<u>167,781</u>	<u>571,005</u>	<u>1,459,974</u>
Excess (deficiency) of revenues over (under) expenditures	(65,099)	1,583	107,192	(126,076)	(82,400)
Other financing sources (uses):					
Interfund transfers in	-	-	-	127,443	127,443
Interfund transfers out	-	-	(86,565)	-	(86,565)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(86,565)</u>	<u>127,443</u>	<u>40,878</u>

NEVADA COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	Special Revenue				Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	\$ (65,099)	\$ 1,583	\$ 20,627	\$ 1,367	\$ (41,522)
Fund balances beginning of year	(66,274)	196,652	(33,709)	97,823	194,492
Fund balances end of year	\$ (131,373)	\$ 198,235	\$ (13,082)	\$ 99,190	\$ 152,970

See accompanying independent auditor's report.

NEVADA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
NISDC	\$ 78	\$ 936	\$ 807	\$ 207
Pictures	1,572	-	392	1,180
Annual, Middle School	356	4,372	4,522	206
Fifth Grade	260	1,378	1,406	232
Sixth Grade	2,741	1,560	2,700	1,601
Musical Arts, MS	1,452	1,302	2,722	32
Seventh Grade	3,142	2,846	3,738	2,250
Eighth Grade	1,423	8,602	8,178	1,847
Multiage 5th/6th	2,879	1,732	4,537	74
Student Council, MS	367	665	877	155
Middle School Fund	2,487	12,340	9,137	5,690
MS Tasty Treats	1,913	1,238	2,466	685
Cheerleaders, MS	208	849	773	284
Annual, High School	13,371	6,802	10,500	9,673
Cheerleaders, HS	4,048	7,128	9,678	1,498
French Club	382	434	445	371
Drama, HS	396	3,761	3,279	878
National Honor Society	195	992	956	231
HS Pop	3,082	10,068	9,932	3,218
Misc HS Co-Curricular	298	-	-	298
Student Council, HS	851	3,604	4,477	(22)
Drill Team, HS	4,918	10,230	9,572	5,576
Speech	2,608	12,633	9,832	5,409
Skateboard Club	2,344	10,132	11,812	664
Baseball	1,224	17,618	17,256	1,586
Softball	1,072	1,000	5,565	(3,493)
Cross Country	1,304	4,262	4,194	1,372
Boys Soccer	2,321	3,122	3,402	2,041
Girls Soccer	1,559	1,129	-	2,688
Athletics	31,350	111,532	101,413	41,469
Girls Basketball	1,765	2,789	2,664	1,890
Boys Basketball	4,322	11,267	10,599	4,990
Boys Track	67	2,054	2,111	10
Girls Track	98	490	583	5
MS Athletics	2,088	6,611	6,540	2,159
Volleyball	93	2,939	3,264	(232)
Football	4,541	8,033	8,204	4,370
Wrestling	(57)	1,977	1,835	85
Activity Fees	7,041	21,449	25,165	3,325
Track Fund Raising	-	4,577	4,577	-
Weightlifting	1,139	35	35	1,139

NEVADA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Boys Golf	\$ 312	\$ 110	\$ -	422
Girls Golf	320	110	84	346
Basketball Camp	1,170	4,475	5,852	(207)
5th/6th Grade Football	-	374	-	374
MS Football	80	1,931	1,425	586
MS Wrestling	13	100	113	-
7th/8th Baseball	1,198	491	1,714	(25)
7th/8th Softball	1,210	1,298	1,373	1,135
Adult Education	3,325	2,409	2,667	3,067
Contingency	1,250	-	-	1,250
Comm Resource Ctr Donations	1,298	1,661	1,936	1,023
Hall of Fame	(65)	38	30	(57)
Investments	161	8,743	1,376	7,528
Nurses Fund	6,670	1,025	726	6,969
PTA Donations	2,411	-	1,300	1,111
Youth Scholarships - CRC	831	100	593	338
Programs - CRC	4,240	320	4,560	-
SADD	26	851	300	577
Wellness Program	500	75	86	489
Marketing	123	365	303	185
Student Assistance	148	74	360	(138)
Invent Iowa	1,746	750	1,929	567
Angel Tree	-	3,855	3,435	420
TAG Summer School	-	3,160	160	3,000
Elementary Water	35	479	808	(294)
Elementary Fund	20,837	12,695	4,564	28,968
Library Fines, Elementary	3,299	78	3,377	-
Enrichment	(994)	680	680	(994)
Band - Middle School	3,056	2,334	3,186	2,204
Vocal - Middle School	2,138	4,066	2,467	3,737
MS Library Fines	1,994	1,962	3,716	240
MS Exploratory Classes	(201)	1,210	812	197
MS Shop Resale	(135)	-	-	(135)
MS Faculty	209	-	-	209
MS Water	14	321	330	5
MS Magazine Fund	1,836	10,860	15,011	(2,315)
MS Landscaping	455	-	-	455
MS Playground	500	-	-	500
History Day	459	713	537	635
MS Gift Wrap	-	27,130	25,137	1,993
Cubbie Store	1,448	1,276	1,785	939

NEVADA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
COOP Class	\$ 398	\$ 15	\$ 313	\$ 100
Band, High School	(3,834)	6,635	6,458	(3,657)
Vocal, High School	1,639	2,149	788	3,000
FFA	3,515	48,170	36,164	15,521
Key Club	1,730	4,426	4,327	1,829
HS Counselor	569	-	-	569
Class of 2004	2,023	-	2,023	-
Class of 2005	938	75	1,013	-
Class of 2006	743	8,118	4,922	3,939
Class of 2007	500	375	-	875
Class of 2008	500	-	-	500
Class of 2009	500	-	-	500
Class of 2010	500	-	-	500
Class of 2011	500	-	-	500
Class of 2012	-	500	-	500
Library Fines, HS	915	801	1,439	277
Shop Resale, HS	(318)	5,970	3,838	1,814
High School Band Trips	739	-	-	739
HS Water	189	183	346	26
HS Music Trips	2,024	-	-	2,024
Life Skills Class	(409)	724	315	-
Mock Trial	76	-	-	76
Band Uniforms	10,000	33,032	45,374	(2,342)
Intrafund Transfers	-	(65,407)	(65,407)	-
Total	\$ 196,652	\$ 446,373	\$ 444,790	\$ 198,235

See accompanying independent auditor's report.

NEVADA COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUND
 Year Ended June 30, 2005

	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Assets				
Cash	\$ <u> -</u>	\$ <u> 508</u>	\$ <u> 102</u>	\$ <u> 406</u>
Liabilities				
Other payables	\$ <u> -</u>	\$ <u> 508</u>	\$ <u> 102</u>	\$ <u> 406</u>

See accompanying independent auditor's report.

NEVADA COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis Years Ended June 30,			
	2005	2004	2003	2002
Revenues:				
Local sources:				
Local tax	\$ 5,946,502	\$ 5,663,327	\$ 4,248,066	\$ 4,361,540
Tuition	605,500	521,868	441,690	426,447
Other	799,971	706,802	743,809	650,249
State sources	6,599,717	6,323,721	6,550,557	6,497,689
Federal sources	286,117	924,937	1,010,719	689,300
Total revenues	<u>\$ 14,237,807</u>	<u>\$ 14,140,655</u>	<u>\$ 12,994,841</u>	<u>\$ 12,625,225</u>
Expenditures:				
Instruction:				
Regular instruction	\$ 5,784,880	\$ 5,319,249	\$ 5,274,520	\$ 5,257,520
Special instruction	1,640,021	1,794,898	1,707,356	1,581,677
Other instruction	1,237,368	1,100,009	960,607	926,209
Support services:				
Student services	629,174	1,181,547	1,239,799	1,278,670
Instructional staff services	427,449	211,985	352,329	293,692
Administration services	850,800	918,783	861,525	1,051,651
Operation and maintenance of plant services	945,924	1,108,813	1,039,942	933,265
Transportation services	456,739	500,143	372,395	359,352
Central and other support services	-	-	132,551	-
Non-instructional programs	29,210	20,782	20,497	35,454
Other expenditures:				
Facilities acquisition	1,827,335	411,634	94,965	-
Debt Service:				
Principal	522,337	500,452	443,662	435,974
Interest and fiscal charges	48,668	72,297	136,487	157,333
AEA flowthrough	412,669	417,513	448,043	450,277
Total expenditures	<u>\$ 14,812,574</u>	<u>\$ 13,558,105</u>	<u>\$ 13,084,678</u>	<u>\$ 12,761,074</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of
Nevada Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Nevada Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated September 15, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Nevada Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-05 and I-C-05 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Nevada Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Nevada Community School District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Nevada Community School District and other parties to whom Nevada Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Nevada Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
September 15, 2005

NEVADA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements:

Instances of Non-Compliance:

No matters were reported.

Reportable Conditions:

I-A-05 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the duties of one individual include preparing checks and recording the transactions in the journals

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – It is not feasible to hire additional personnel. However, we will constantly try to increase our overview and supervision in this area as much as possible.

Conclusion – Response accepted.

I-B-05 Disbursement Approval – Out of forty disbursements tested, the Board had not approved one disbursement.

Recommendation – The procedure described in the above comment weakens the control that the Board has over disbursements. All disbursements should be approved by the Board.

Chapter 279.29 of the Code of Iowa provides that “the Board shall audit and allow all just claims against the corporation and no order shall be drawn upon the treasury until the claim therefore has been audited and allowed.”

Chapter 279.30 of the Code of Iowa allows payment of specific items, such as freight, utilities, postage, salaries and printing, without prior Board approval. In addition, the Board Secretary, upon documentation of approval by the Board president, may issue warrants for other verified bills prior to Board approval when the Board is not in session. All such bills must then be approved by the Board at the next meeting.

Response – This was an oversight for this one disbursement. We will include all disbursements for approval in the future.

Conclusion – Response accepted.

NEVADA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part I: Findings Related to the General Purpose Financial Statements (continued):

Reportable Conditions (continued):

I-C-05 Bank Reconciliations – We noted that bank reconciliations are prepared but are not reconciled to the general ledger. This leads to posting errors and unrecorded transactions remaining undetected. We noted \$12,862 of revenue that was recorded twice and an \$8,715 difference in the general ledger beginning cash balance from the prior year. Adjusting journal entries have been made to correct these items.

Recommendation – All bank accounts should be reconciled each month and tied to the general ledger. This allows the District to timely detect errors or omissions.

Response – Bank reconciliations will be tied to the general ledger in the future.

Conclusion – Response accepted.

I-D-05 Revenue Netted to Expenditure – We noted one receipt that was netted to an expenditure account.

Recommendation – All receipts should be recorded in a revenue account, not in an expenditure account.

Response – We will record all receipts in revenue accounts in the future.

Conclusion – Response accepted.

I-E-05 Payroll – We noted one teacher who received additional compensation for weight room supervision but the District had no approved contract or supporting documentation for the pay rate related to this work.

Recommendation – The District should have an approved contract for all employment services with employees.

Response – We will make sure we have an approved contract for all employees.

Conclusion – Response accepted.

NEVADA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting:

II-A-05 Official Depositories – Official depositories have been approved by the District. The maximum deposit amount approved for Community Bank was exceeded during the year ended June 30, 2005.

Recommendation – A new resolution should be approved in amounts sufficient to cover anticipated balances at all approved depositories.

Response – We will approve a new resolution.

Conclusion – Response accepted.

II-B-05 Certified Budget – Expenditures for the year ended June 30, 2005, exceeded the amounts budgeted in the instruction, non-instructional programs, and other expenditures functions.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – We will amend our budget before expenditures exceed the budget.

Conclusion – Response accepted.

II-C-05 Questionable Expenditures – Certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

<u>Paid To</u>	<u>Fund Used</u>	<u>Purpose</u>	<u>Amount</u>
Students	General	Scholarships	\$ 250

According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The Board should determine and document the public purpose served by this expenditure before authorizing any further payments. If the District receives donations for scholarships, the revenue and expenditure should be recorded in a Trust Fund, not in the General Fund.

Response – We will properly record this type of transaction in a Trust Fund in the future.

Conclusion – Response accepted.

II-D-05 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-05 Business Transactions – We noted no business transactions between the District and District officials or employees.

NEVADA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting (continued):

II-F-05 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-05 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-H-05 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-I-05 Deposits and Investments – The District has an investment in a money market mutual fund, which is an unallowable investment under the District's investment policy.

Recommendation – If the District plans to invest in money market mutual funds, then it should amend its investment policy to allow such an investment.

Response – We will amend our investment policy to include money market mutual funds.

Conclusion – Response accepted.

II-J-05 Certified Annual Report – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-K-05 Financial Condition – We noted that the Special Revenue, Student Activity Fund had several deficit balances within the group of single activity accounts.

Recommendation – The District needs to monitor the activity accounts more closely and investigate alternatives to eliminate the deficit balances.

Response – The Board is aware of the condition and is making strides to eliminate deficit accounts.

Conclusion – Response accepted.

II-L-05 Student Activity Fund – We noted transactions being recorded through the Special Revenue, Student Activity Fund, such as resale accounts, library fines, grants, and scholarships, that would more appropriately be accounted for in the General Fund or Trust Funds.

Recommendation – The Student Activity Fund is to be used to account for money received from student related activities such as admissions, activity fees, student dues, student fundraising events, or other student related co-curricular activities as stated in the administrative rules of the Department of Education.

Response – We will review these accounts and make any necessary reclassifications to more appropriate funds.

Conclusion – Response accepted.

NEVADA COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS

Year Ended June 30, 2005

Part II: Other Findings Related to Statutory Reporting (continued):

- II-M-05 Financial Condition – The Special Revenue, Management Levy Fund has a negative fund balance of \$131,373 and the Special Revenue, Physical Plant and Equipment Fund has a negative fund balance of \$13,082.

Recommendation – The District needs to explore alternatives to restore these funds to a sound financial condition.

Response – The Board is aware of the condition and is working to restore the funds to a sound financial condition.

Conclusion – Response accepted.

- II-N-05 Establishment of and required transfers to Local Option Sales and Services Tax Funds – The local option sales and services tax (LOSST) revenue bond provisions provide for the establishment of two funds. First, a sinking fund is to be established to pay the debt. Second, a reserve fund is to be established which is only to be used if no other LOSST funds are available to pay the debt. The District has not set up a separate sinking fund or reserve fund as of June 30, 2005.

Recommendation – The District should set up a separate fund called the Local Option Sales and Services Tax Reserve Fund. \$600,000 should be transferred from the Capital Projects Fund to this reserve fund in accordance with the bond provisions. The District should set up a separate fund called the Local Option Sales and Services Tax Sinking Fund and transfer the accrued interest on the bonds of \$4,675 from the Capital Projects Fund to this sinking fund. The District should also make monthly transfers of one sixth of the next interest payment and one twelfth of the next principal payment due on the bonds to the Local Option Sales and Services Tax Sinking Fund.

Response – We will make the required transfers and set up a sinking fund and a reserve fund as required and will properly account for these transactions in the future.

Conclusion – Response accepted.

- II-O-05 Meal Revenue – The District records student reimbursable lunches and second lunches in one account. Department of Education guidelines require student reimbursable lunches and second lunches be recorded separately.

Recommendation – The District should record student reimbursable lunches and second lunches in separate accounts.

Response – We will record student reimbursable lunch and second lunch revenues separately in the future.

Conclusion – Response accepted.

STATISTICAL SECTION

NEVADA COMMUNITY SCHOOL DISTRICT
SUMMARIZED COMPARISON OF TAXES AND INTERGOVERNMENTAL REVENUES
ALL FUNDS
Last ten fiscal years
(Unaudited)

Fiscal Year Ended June 30,	Local Taxes	State Sources	Federal Sources	Totals
2005	\$ 5,946,502	\$ 6,606,523	\$ 469,803	\$ 13,022,828
2004	5,663,327	6,330,802	1,105,206	13,099,335
2003	4,248,066	6,557,800	1,184,150	11,990,016
2002	4,361,540	6,504,959	862,759	11,729,258
2001	4,054,447	6,566,846	332,449	10,953,742
2000	3,869,478	6,447,238	292,461	10,609,177
1999	3,895,833	6,052,818	268,417	10,217,068
1998	3,717,520	5,586,053	255,701	9,559,274
1997	3,509,187	5,278,833	243,723	9,031,743
1996	3,666,715	4,894,550	220,156	8,781,421

For the year ended June 30, 1996, revenues are reported on a cash basis.

SOURCE: District records

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NEVADA COMMUNITY SCHOOL DISTRICT
 GOVERNMENT-WIDE REVENUES, BY SOURCE
 Last ten fiscal years
 (Unaudited)

<u>Fiscal Year</u>	<u>Program Revenues</u>			<u>General</u>
	<u>Charges for Services & Sales</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>	<u>Taxes</u>
2005	\$ 1,455,242	\$ 1,374,523	\$ 117,088	\$ 5,974,188
2004	1,463,131	1,871,295	49,927	5,676,256
*2003	1,322,583	1,970,454	94,375	4,252,534

* Fiscal year 2003 was the first year of government-wide financial statements
 SOURCE: District records

Revenues

<u>Other Local Sources</u>	<u>State Sources</u>	<u>Investment Earnings</u>	<u>Total</u>
\$ 42,720	\$ 5,794,091	\$ 75,623	\$ 14,833,475
79,695	5,514,650	36,213	14,691,167
126,203	5,669,116	59,726	13,494,991

NEVADA COMMUNITY SCHOOL DISTRICT
 GOVERNMENT-WIDE EXPENSES, BY FUNCTION
 Last ten fiscal years
 (Unaudited)

Fiscal Year	Expense Function				Total
	Instruction	Support Services	Non-Instructional Programs	Other Expenditures	
2005	\$ 8,648,727	\$ 3,358,346	\$ 591,201	\$ 1,081,897	\$ 13,680,171
2004	8,227,884	3,859,640	561,481	744,424	13,393,429
*2003	7,947,273	3,972,291	531,827	798,220	13,249,611

* Fiscal year 2003 was the first year of government-wide financial statements
 SOURCE: District records

NEVADA COMMUNITY SCHOOL DISTRICT
GENERAL FUND REVENUES, BY SOURCE, AND OTHER FINANCING SOURCES
Last ten fiscal years
(Unaudited)

Fiscal Year Ended June 30,	Local Tax	State	Federal	Other	Total Revenues	Other Financing Sources	Total Revenues and Other Financing Sources
2005	\$ 3,501,180	\$ 6,599,106	\$ 282,441	\$ 748,458	\$ 11,131,185	\$ 140,999	\$ 11,272,184
2004	3,659,140	6,323,118	875,010	617,782	11,475,050	2,538	11,477,588
2003	3,387,716	6,549,968	916,344	624,642	11,478,670	-	11,478,670
2002	3,548,679	6,497,129	689,300	630,330	11,365,438	100	11,365,538
2001	3,239,413	6,548,882	183,978	748,223	10,720,496	750	10,721,246
2000	2,994,122	6,430,086	141,566	623,436	10,189,210	25	10,189,235
1999	3,096,223	6,041,747	121,359	522,233	9,781,562	-	9,781,562
1998	2,927,404	5,571,234	99,234	443,438	9,041,310	-	9,041,310
1997	2,702,494	5,271,585	102,007	284,566	8,360,652	-	8,360,652
1996	2,925,741	4,886,572	134,639	271,925	8,218,877	-	8,218,877

For the year ended June 30, 1996, revenues are reported on a cash basis.

SOURCE: District records

NEVADA COMMUNITY SCHOOL DISTRICT
GENERAL FUND EXPENDITURES, BY PROGRAM, AND OTHER FINANCING USES
Last ten fiscal years
(Unaudited)

Fiscal Year Ended June 30,	Regular Instruction	Special Instruction	Vocational Instruction	Cocurricular Instruction	Nonpublic Instruction	Other Instruction	Student Services
2005	\$ 5,566,568	\$ 1,640,021	\$ 371,492	\$ 229,049	\$ -	\$ 192,037	\$ 1,056,623
2004	5,237,387	1,794,898	344,383	220,139	1,381	-	1,365,452
2003	5,208,017	1,707,356	353,283	215,486	1,050	-	1,592,128
2002	5,223,294	1,581,677	324,471	209,467	1,206	-	1,572,362
2001	4,896,503	1,358,299	314,201	210,861	2,158	-	1,048,437
2000	4,570,667	1,425,194	358,755	203,028	-	-	1,012,489
1999	4,284,296	1,213,238	304,750	188,649	-	-	1,027,786
1998	4,003,282	1,123,180	267,949	161,155	-	-	973,220
1997	4,119,547	1,126,332	285,381	169,568	-	-	523,008
1996	4,080,908	929,765	289,947	165,148	-	-	390,759

For the year ended June 30, 1996, expenditures are reported on a cash basis.

SOURCE: District records

	<u>General Administration</u>	<u>Operation & Maintenance</u>	<u>Student Transportation</u>	<u>Food Services</u>	<u>Community Service</u>	<u>AEA Flow Through</u>	<u>Total</u>	<u>Other Financing Uses Transfers to Debt Service</u>
\$	850,800	\$ 901,568	\$ 443,407	\$ 11,016	\$ 17,796	\$ 412,669	\$ 11,693,046	\$ 40,878
	913,416	819,037	391,374	5,152	15,630	417,513	11,525,762	40,878
	861,525	778,253	358,482	4,270	16,227	448,043	11,544,120	40,878
	953,416	763,883	354,529	-	35,454	450,277	11,470,036	40,878
	974,358	876,408	338,645	-	34,020	458,537	10,512,427	40,878
	911,628	763,613	328,912	-	31,911	435,531	10,041,728	40,878
	878,453	754,951	280,138	-	12,531	420,621	9,365,413	-
	724,983	671,501	264,650	-	3,301	405,152	8,598,373	-
	669,669	641,883	245,759	-	-	383,572	8,164,719	-
	614,839	578,217	234,330	-	-	371,987	7,655,900	-

NEVADA COMMUNITY SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
Last ten fiscal years
(Unaudited)

<u>Fiscal Year</u>	<u>Real Property Tax Levy</u>	<u>Property Tax Collections</u>	<u>Percent of Levy</u>
2004-2005	\$ 4,113,720	\$ 4,071,818	98.98 %
2003-2004	4,342,119	4,335,055	99.84 %
2002-2003	3,984,839	3,954,835	99.25 %
2001-2002	4,071,758	4,063,748	99.80 %
2000-2001	3,816,204	3,813,920	99.94 %
1999-2000	3,636,463	3,640,211	100.10 %
1998-1999	3,656,180	3,620,941	99.04 %
1997-1998	3,497,778	3,505,119	100.21 %
1996-1997	3,367,794	3,303,445	98.09 %
1995-1996	3,529,139	3,469,083	98.30 %

SOURCE: District records

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NEVADA COMMUNITY SCHOOL DISTRICT
TAXABLE AND ASSESSED VALUE OF TAXABLE PROPERTY
Last ten fiscal years
(Unaudited)

Valuation Year	Collection Year	Real Property		Utilities	
		Taxable Value	100% Value	Taxable Value	100% Value
2003	2004-2005	\$ 227,703,132	\$ 374,275,261	\$ 15,415,977	\$ 17,665,831
2002	2003-2004	250,219,631	412,678,357	20,456,088	20,456,088
2001	2002-2003	242,232,367	396,725,042	20,752,758	20,752,758
2000	2001-2002	243,256,307	374,984,633	20,335,330	20,335,330
1999	2000-2001	230,859,779	363,748,421	18,681,109	18,681,109
1998	1999-2000	209,789,030	289,767,648	24,489,632	24,489,632
1997	1998-1999	202,394,272	286,291,564	24,445,054	24,445,054
1996	1997-1998	197,120,474	267,917,878	24,126,403	24,126,403
1995	1996-1997	190,795,397	257,461,449	23,719,449	23,719,449
1994	1995-1996	186,198,901	230,837,836	20,945,074	20,945,074

SOURCE: Story County Auditor's Office

	Total		Ratio
	Taxable	100%	Taxable to
	Value	Value	Assessed
			Value
\$ 243,119,109	\$ 391,941,092		62.03 %
270,675,719	433,134,445		62.49 %
262,985,125	417,477,800		62.99 %
263,591,637	395,319,963		66.68 %
249,540,888	382,429,530		65.25 %
234,278,662	314,257,280		74.55 %
226,839,326	310,736,618		73.00 %
221,246,877	292,044,281		75.76 %
214,514,846	281,180,898		76.29 %
207,143,975	251,782,910		82.27 %

NEVADA COMMUNITY SCHOOL DISTRICT
PROPERTY TAX RATES – DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$1,000 OF TAXABLE VALUE)
Last ten fiscal years
(Unaudited)

<u>Levy Year</u>	<u>Story County</u>	<u>City of Nevada</u>	<u>Area XI Community College</u>	<u>Nevada Community School</u>	<u>Total</u>	<u>Ratio of Nevada Community School to Total</u>
2004-2005	\$ 6.43930	\$ 14.87863	\$ 0.59856	\$ 16.59480	\$ 38.51129	43.09 %
2003-2004	6.24548	14.35684	0.58184	15.77656	36.96072	42.68 %
2002-2003	6.68899	14.19251	0.54584	14.90901	36.33635	41.03 %
2001-2002	6.67242	14.38557	0.54454	15.20579	36.80832	41.31 %
2000-2001	5.58921	14.32364	0.54506	15.06170	35.51961	42.40 %
1999-2000	5.99570	14.59655	0.52451	15.40000	36.51676	42.17 %
1998-1999	6.15851	14.52204	0.50551	15.99895	37.18501	43.03 %
1997-1998	6.13674	14.49470	0.47230	15.70661	36.81035	42.67 %
1996-1997	6.43496	12.83710	0.50661	15.58628	35.36495	44.07 %
1995-1996	6.52680	12.83707	0.48988	16.99064	36.84439	46.11 %

SOURCE: Story County Auditor's Office

NEVADA COMMUNITY SCHOOL DISTRICT
 COMPARATIVE RATIO OF GENERAL BONDED DEBT TO ASSESSED VALUE
 Last ten fiscal years
 (Unaudited)

<u>Fiscal Year (of collection)</u>	<u>Population*</u>	<u>Assessed Property Value</u>	<u>Legal Bonded Debt Limit</u>	<u>Bonded Debt</u>	<u>Ratio of Bonded Debt to Assessed Value</u>	<u>Bonded Debt per Capita</u>
2004-2005	6,658	\$ 391,941,092	\$ 19,597,055	\$ 7,185,000	1.83 %	\$ 1,079
2003-2004	6,658	433,134,445	21,656,722	1,595,000	0.37 %	240
2002-2003	6,658	417,477,800	20,873,890	1,985,000	0.48 %	298
2001-2002	6,658	395,319,963	19,765,998	2,315,000	0.59 %	348
2000-2001	6,658	382,429,530	19,121,477	2,640,000	0.69 %	397
1999-2000	6,009	314,257,280	15,712,864	2,950,000	0.94 %	491
1998-1999	6,009	310,736,618	15,536,831	3,250,000	1.05 %	541
1997-1998	6,009	292,044,281	14,602,214	3,540,000	1.21 %	589
1996-1997	6,009	281,180,898	14,059,045	3,820,000	1.36 %	636
1995-1996	6,009	251,782,910	12,589,146	4,090,000	1.62 %	681

SOURCE: District records

* Population figures relate to census taken in 1990 and 2000.

NEVADA COMMUNITY SCHOOL DISTRICT
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 June 30, 2005
 (Unaudited)

Name of Governmental Unit	2004 Valuation	Total Outstanding Debt June 30, 2005	Percentage Applicable to School District	School District's Share of the Outstanding Debt
Story County	\$ 2,627,269,678	\$ 8,485,000	10.41 %	\$ 882,879
City of Nevada	149,650,650	13,353,000	100.00 %	13,353,000
Area XI Community College	23,987,899,114	42,300,000	1.14 %	482,061
Nevada Community School District	243,119,109	7,530,322	100.00 %	<u>7,530,322</u>
Total				<u>\$ 22,248,262</u>

SOURCE: District records, Story County Auditor's Office, City of Nevada, Area XI Community College Business Office

NEVADA COMMUNITY SCHOOL DISTRICT
COMPUTATION OF LEGAL DEBT MARGIN
June 30, 2005
(Unaudited)

Total District Assessed Value	\$ <u>391,941,092</u>
Debt Limit - 5% of Total District Assessed Value	19,597,055
Amount of Debt Applicable to Debt Limit:	
Lease Purchase agreement	140,999
Revenue Bonds Payable	6,000,000
Bonds Payable	1,185,000
Capital Loan Notes Payable:	
1999 Issue	39,323
2000 Issue	95,000
2001 Issue	<u>70,000</u>
Total Amount of Debt Applicable to Debt Limit	<u>7,530,322</u>
Legal Debt Margin	\$ <u>12,066,733</u>

NEVADA COMMUNITY SCHOOL DISTRICT
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL
BONDED DEBT TO TOTAL GENERAL EXPENDITURES
Last ten fiscal years
(Unaudited)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total* General Expenditures</u>	<u>Ratio of Debt Service to Total General Expenditures</u>
2004-2005	\$ 410,000	\$ 32,363	\$ 442,363	\$ 11,321,255	3.91 %
2003-2004	390,000	50,865	440,865	11,149,127	3.95 %
2002-2003	340,000	110,635	450,635	11,136,955	4.05 %
2001-2002	325,000	125,200	450,200	11,060,637	4.07 %
2000-2001	310,000	138,560	448,560	10,094,768	4.44 %
1999-2000	300,000	150,965	450,965	9,647,075	4.67 %
1998-1999	290,000	162,375	452,375	8,944,792	5.06 %
1997-1998	280,000	172,830	452,830	8,193,221	5.53 %
1996-1997	270,000	182,370	452,370	7,781,147	5.81 %
1995-1996	260,000	190,938	450,938	7,283,913	6.19 %

SOURCE: District records

* Includes all General Fund expenditures (including transfers to Debt Service) except AEA flow through.

NEVADA COMMUNITY SCHOOL DISTRICT
 ANALYSIS OF FACILITIES, CLASSROOMS AND STAFFING
 June 30, 2005
 (Unaudited)

<u>Name of School</u>	<u>Dates Constructed</u>	<u>Grades Served</u>	<u>Building Enrollment September 2004</u>	<u>Number of Classrooms</u>	<u>Classroom Teaching Sections</u>
Central Elementary	1916, 1937, 1955, 1966, 1987	PK-4	548	40	40
Middle School	1991	5-8	446	29	92
High School	1962, 1978	9-12	501	32	213
<u>Other Facility</u>	<u>Date Constructed</u>				
Bus Barn	1988				

SOURCE: District records

NEVADA COMMUNITY SCHOOL DISTRICT
DISTRICT STAFFING LEVELS
Last ten fiscal years
(Unaudited)

	Year ended June 30,									
	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Administration:										
Superintendent	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Principals	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Assistant Principals	0.5	1.5	1.5	1.5	1.5	1.5	1.5	0.5	0.5	0.5
Other Administrators	4.5	3.5	4.5	4.5	4.5	4.5	3.5	3.5	3.3	4.5
Administrators	9.0	9.0	10.0	10.0	10.0	10.0	9.0	8.0	7.8	9.0
Instruction:										
Teachers	106.3	110.0	119.2	116.7	115.1	113.7	110.0	106.6	106.5	102.5
Counselors	3.3	4.0	4.0	4.0	4.0	4.5	4.0	3.5	5.0	5.0
Librarians	2.5	2.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Other	1.5	1.5	1.5	6.0	6.0	4.5	4.8	2.5	0.5	2.0
Instruction	113.6	118.0	127.7	129.7	128.1	125.7	121.8	115.6	115.0	112.5
Support:										
Nurses	2.0	3.0	3.0	3.0	3.0	2.0	2.0	2.0	2.0	2.0
Office/Clerical	7.0	7.5	5.5	9.5	11.0	8.5	9.8	7.5	7.0	5.0
Teachers' Aides	20.5	21.0	29.0	25.2	20.0	17.5	25.8	19.8	14.0	12.5
Operative	10.0	19.0	16.5	6.0	15.0	11.0	6.0	3.6	11.5	11.0
Service	34.5	7.5	8.5	12.0	30.0	9.5	9.5	8.5	9.0	10.5
Other Support	7.5	14.5	12.0	-	6.0	6.5	5.3	3.0	1.5	3.0
Support	81.5	72.5	74.5	55.7	85.0	55.0	58.4	44.4	45.0	44.0
Totals	204.1	199.5	212.2	195.4	223.1	190.7	189.2	168.0	167.8	165.5

SOURCE: District records

NEVADA COMMUNITY SCHOOL DISTRICT
MISCELLANEOUS INFORMATION AND DEMOGRAPHIC STATISTICS
(Unaudited)

The Nevada Community School District includes the City of Nevada and unincorporated areas in Story County, including portions of Franklin, Grant, Milford, Nevada, Richland, and Union Townships. The District encompasses an area of 118 square miles, serving the county seat, a major trading center for the surrounding agricultural area.

The City of Nevada was settled in 1853. According to old records, the first classes were held in private homes until November 1858 when the first school building was occupied. The official organization of the Nevada Independent School District occurred in 1867.

In 1958, the Nevada Independent School District was reorganized as the Nevada Community School District by consolidating with schools in Shipley, southwest of Nevada, and Nevada Township. Further reorganizations occurred in 1959, when a portion of the North Grant School District was consolidated into Nevada, in 1960, when the Richland Township and Fernald Districts were consolidated into Nevada, and in 1961, when the Milford Township District was consolidated into Nevada.

The Nevada Community School District serves about 8,500 people living in the Nevada area.

The City of Nevada is located just east of Ames along U.S. Highway 30, a major four-lane artery in Iowa. Interstate 35 is located six miles west of Nevada and provides direct access to the Des Moines Metropolitan Area. Proximity to Ames provides a wide variety of cultural and entertainment events and advanced educational opportunities at Iowa State University.

The District owns and operates three schools and the Transportation Facility. Grades EK-4 are housed at Central Elementary, 910 10th Street. Grades 5-8 are held at the Middle School complex at 1035 15th Street and grades 9-12 are held at the High School at 1001 15th Street. The Middle School and High School complexes are connected. Administrative Offices are on the west side of the Middle School.

The first school building in Nevada was completed in 1858 in the vicinity of Fifth Street and I Avenue. Construction of the north wing of a school building ("Old Central") at the current site of Central Elementary was completed in 1876. A south wing to this building was completed in 1882. Other school buildings were constructed in Nevada in 1896 (North School) and 1899 (West School).

In 1908, the Science Building was constructed south of Old Central. In 1917, the High School Building that currently stands at 9th Street and I Avenue was completed. In 1938, the Fieldhouse was constructed at this site. In 1955, the south Elementary addition was completed also at this site.

In 1962, the current High School Building was constructed on 15th Street. In 1967, Old Central and the Science Buildings were razed and the north addition was built onto Central Elementary. In 1977, an addition to High School was completed with a new fieldhouse and other facilities. In 1987, the west addition was added to Central Elementary for a new library and other classrooms. In 1991, a new Middle School was built and classes held in the Old High School Building and the Milford Township Building were consolidated in this building.

During the summer of 2005, the old 1917 High School Building, the south Elementary addition, and a portion of the 1987 addition were razed to construct a new Elementary addition including new classrooms and a new commons area. This addition is expected to be complete by the start of the 2006-2007 school year.

NEVADA COMMUNITY SCHOOL DISTRICT
 MISCELLANEOUS INFORMATION AND DEMOGRAPHIC STATISTICS (continued)
 (Unaudited)

Statistical Review

Distance in highway miles from Nevada:

Chicago, IL	340	Milwaukee, WI	340
Denver, CO	710	Minneapolis, MN	210
Des Moines	42	New York, NY	1153
Kansas City, MO	230	Omaha, NE	170
Los Angeles, CA	1760	St. Louis, MO	370

Recreational Facilities:

Number of facilities within 20 minutes travel time:

- 6 public golf courses
- 20 public parks
- 20 public tennis courts
- 3 public swimming pools

Number of country clubs available – 2

Public access to lake or river – yes

Activities allowed – swimming, fishing, water skiing, motor boating

Remarks – good camping facilities at Hickory Grove County Park and Twin Anchors campground, which is a private facility

Churches: 10 (8 Protestant, 1 Catholic, 1 Other)

Newspapers: One weekly

Climate: Average winter temperature: 20.8 degrees
 Average summer temperature: 71.8 degrees
 Average annual rainfall: 33.4 inches
 Average annual snowfall: 30.8 inches

Health Facilities: Number of hospitals serving the county: 2
 Total number of beds: 252
 Drive time to nearest facility: 3 minutes

Unemployment Statistics: National average 5.0%
 State of Iowa 4.6%
 Story County 3.6%

Median Family Income in Story County in 2000: \$40,442

NEVADA COMMUNITY SCHOOL DISTRICT
 CITY BANK DEPOSITS AND TAXABLE RETAIL SALES
 Last ten years
 (Unaudited)

<u>Year</u>	<u>Bank Deposits</u>	<u>Taxable Retail Sales as of 3/31</u>
2005	\$ 146,367,000	\$ 44,804,365
2004	148,447,000	46,382,579
2003	139,492,000	43,526,451
2002	147,996,000	42,653,642
2001	124,654,000	37,307,478
2000	121,097,000	42,546,788
1999	119,106,000	41,591,604
1998	118,412,000	37,805,884
1997	108,803,000	36,432,431
1996	80,071,000	35,666,057

SOURCE: Iowa Division of Banking web site for bank deposits
 Iowa Department of Revenue and Finance for taxable retail sales

NEVADA COMMUNITY SCHOOL DISTRICT
 PRINCIPAL TAXPAYERS IN THE NEVADA COMMUNITY SCHOOL DISTRICT
 June 30, 2005
 (Unaudited)

Taxpayer	2004 Valuation
Heart of Iowa Coop	\$ 5,364,840
Burke Marketing Corporation	3,778,600
Flexi-Coil, Inc.	2,306,384
Hubert Family Trust	1,645,000
Northridge Investments LLC	1,563,100
General Financial Supply	1,500,000
Fareway Stores, Inc.	1,364,034
Meadows Apartment Ltd	1,345,046
Iowa Falls Nursing Corp	<u>1,296,542</u>
Total	<u>\$ 20,163,546</u>

SOURCE: Story County Auditor's Office

NEVADA COMMUNITY SCHOOL DISTRICT
 MAJOR EMPLOYERS IN THE DISTRICT
 June 30, 2005
 (Unaudited)

Name	Product/Service	Employees
Story County	County Government	373
Burke Marketing	Processed Pizza Topping	360
Nevada Community School District	Education	220
Story County Hospital	Healthcare	200
General Financial Supply	Printed Bank Forms	125
Alamco	Agricultural Research/Equipment	95
Mid-America Manufacturing	Precision Machining	75
Paragon International	Commercial Popcorn Machines	56
Printgraphics	Printed Business Forms	55
City of Nevada	City Government	44
Priority Envelope	Manufacture & Print Envelopes	41

SOURCE: Nevada Chamber of Commerce web site

NEVADA COMMUNITY SCHOOL DISTRICT
ENROLLMENT BY GRADE
Last ten fiscal years
(Unaudited)

	<u>04-05</u>	<u>03-04</u>	<u>02-03</u>	<u>01-02</u>	<u>00-01</u>	<u>99-00</u>	<u>98-99</u>	<u>97-98</u>
Preschool/Handicapped	6	4	4	6	5	3	5	5
Kindergarten	141	128	124	111	135	128	133	131
First	98	98	85	112	105	121	98	131
Second	108	88	110	109	120	101	129	116
Third	89	105	105	119	97	133	129	123
Fourth	106	101	118	98	137	127	136	110
Special Education	-	-	-	-	-	-	-	19
Elementary Total	<u>548</u>	<u>524</u>	<u>546</u>	<u>555</u>	<u>599</u>	<u>613</u>	<u>630</u>	<u>635</u>
Fifth	108	128	99	131	124	143	116	115
Sixth	113	97	132	121	146	118	118	118
Seventh	101	129	118	137	124	115	121	113
Eighth	124	117	135	120	115	122	111	131
Special Education	-	-	-	-	-	-	3	-
Middle School Total	<u>446</u>	<u>471</u>	<u>484</u>	<u>509</u>	<u>509</u>	<u>498</u>	<u>469</u>	<u>477</u>
Ninth	116	135	116	123	123	116	125	134
Tenth	131	115	123	124	114	128	130	121
Eleventh	110	112	109	109	121	130	121	127
Twelfth	114	110	108	118	124	112	119	105
Special Education	30	-	-	-	-	-	5	-
Alternative School	-	26	25	22	19	18	15	15
High School Total	<u>501</u>	<u>498</u>	<u>481</u>	<u>496</u>	<u>501</u>	<u>504</u>	<u>515</u>	<u>502</u>
Special Education	7	15	14	17	10	13	19	19
Home Schooled	17.5	16.1	14.2	12.1	6.8	7	7.8	6.4
* Other (net)	12.1	(4.5)	4.4	(7.4)	1.7	3.7	(14.4)	(12)
Totals	<u>1,531.6</u>	<u>1,519.6</u>	<u>1,543.6</u>	<u>1,581.7</u>	<u>1,627.5</u>	<u>1,638.7</u>	<u>1,626.4</u>	<u>1,627.4</u>

* Open enrollment tuitioned in, open enrollment tuitioned out, alternative programs

SOURCE: District records

<u>96-97</u>	<u>95-96</u>
5	6
145	142
111	114
119	122
112	98
103	117
13	16
<u>608</u>	<u>615</u>
118	105
99	119
121	131
123	119
28	21
<u>489</u>	<u>495</u>
128	141
137	110
107	126
124	106
-	-
16	9
<u>512</u>	<u>492</u>
15	14
7.1	4
<u>(4.3)</u>	<u>(18.9)</u>
<u>1,626.8</u>	<u>1,601.1</u>

NEVADA COMMUNITY SCHOOL DISTRICT
 OPERATING COST PER PUPIL
 Last ten fiscal years
 (Unaudited)

<u>Fiscal Year</u>	<u>General Fund Total Costs*</u>	<u>Daily Average Membership</u>	<u>Operating Cost Per Pupil</u>
2004-2005	\$ 11,321,255	1,443.0	\$ 7,846
2003-2004	11,149,127	1,392.0	8,009
2002-2003	11,136,955	1,451.0	7,675
2001-2002	11,060,637	1,431.0	7,729
2000-2001	10,094,768	1,435.0	7,035
1999-2000	9,647,075	1,519.0	6,351
1998-1999	8,944,792	1,517.0	5,896
1997-1998	8,193,221	1,530.0	5,355
1996-1997	7,781,147	1,545.0	5,036
1995-1996	7,283,913	1,524.0	4,779

SOURCE: District records

* Includes all General Fund expenditures (including transfers to Debt Service) except AEA flowthrough.

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